

TOPICS & REPORT

Teachers' Retirement System of the State of Illinois



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Board endorses ERO

The TRS Board of Trustees endorsed the extension of the Early Retirement Option (ERO) at its regular April meeting.

The Board called for the extension of ERO and urged that the General Assembly take steps to properly fund the benefit. 

Executive director's message

Are you wondering about the pension "reforms" that have been so widely reported recently? The real story is about the accumulated interest on an unpaid debt.

Pension funding reductions

The reforms are accompanied by a \$467 million cut in state funding for TRS, or about a 44 percent reduction.

The reduction equals, almost to the penny, the amount the state is required by law to pay next year to help reduce the TRS unfunded liability as part of the 50-year funding plan adopted in 1995.

The funding recommended in the fiscal year 2006 budget, about \$592 million, equals the cost of TRS benefits that teachers will earn next school year.

Let's bring the picture into sharper focus. If the state had funded TRS properly for the past 65 years, TRS would have virtually no unfunded liability. There would be no need for funding reductions.

TRS pensions are affordable

The lesson is clear. TRS pensions are affordable because there is room in the state budget for a \$592 million contribution that covers the cost of benefits to be earned next year.

There is a second lesson, too. The cost of the state neglecting its financial responsibility is too high. From

where I sit, it is time for the state to keep its promises and not walk away from them once again.

Educators across the state can only wonder whether an otherwise affordable, middle-of-the-road pension plan would be under fire if the state had paid its bill in the past.

Proposed benefit reductions

An article on page 2 details several benefit reductions, all of which would apply only to newly-hired teachers.

In addition, the budget proposals change the way the pension costs of most end-of-career salary increases are paid. This provision would apply to current and future educators.

It is not likely that any reductions would have been sought if the state had paid its fair share regularly each year. Is this "crying over spilt milk"? No. It is a history lesson that bears repeated study.

As of this writing, it is unclear whether the General Assembly will accept any or all of these changes. TRS will work hard to protect your interests and to prevent further funding neglect.

Sincerely,

Jon Bauman





Legislative update

The General Assembly is working toward the scheduled adjournment date of May 27, 2005. Pension reform, pension funding reductions, and the extension of the Early Retirement Option (ERO) have taken center stage in the first session of the 94th General Assembly.

Early Retirement Option (ERO)

Three pieces of legislation have been introduced into the General Assembly that would extend ERO through 2010. House Bill 790, House Bill 1034, and House Bill 1442 are pending consideration in the House of Representatives. The current program expires on June 30, 2005. Legislation must be passed and signed into law for the ERO to be available to TRS members after June 30, 2005. During session, we will keep members informed about the status of ERO through our Web site and our Member Services Department.

Pension Funding and Reform

Proposals to change benefits for future members of TRS are being considered in the context of the state's pension contribution amount for fiscal year 2006. Several changes have been proposed for TRS.

Change the automatic annual increase for new hires. Currently,

retirees receive a 3 percent annual increase in their pension to help protect their purchasing power against increases in inflation. A proposal to limit that increase to 3 percent or the consumer price index (whichever is lower) on the first \$24,000 of annuity is being considered by the General Assembly.

Increase retirement age for new hires. Currently, members can retire at either

- 55 years of age with 35 years of service,
- 60 years of age with 10 years of service, or
- 62 years of age with 5 years of service.


The General Assembly is considering increasing the retirement age to

- 60 years of age with 35 years of service,
- 62 years of age with 30 years of service, or
- 65 years of age with 8 years of service.


Eliminate actuarial benefit for new hires. Currently, members are eligible for a benefit based upon either the 2.2 formula or the actuarial calculation, whichever is greater. Members with either long periods of inactive service or exceptionally long careers in teaching utilize the actuarial calculation. The General Assembly is

considering eliminating the actuarial calculation for new hires.

Make local employer responsible for costs of pensions. Currently, the state pays nearly the entire employer portion for teacher's pensions. The General Assembly is considering shifting the cost of pay increases used in the benefit calculation that exceed 3 percent to the local employer.

In addition to these benefit changes, the General Assembly is considering reducing the fiscal year 2006 pension contribution amount by \$467 million for TRS. This reduction would require a change in the current funding law and result in an increase in the negative cash flow of the system. 

GPO and WEP Repeal

Federal legislation to eliminate the federal offsets that reduce Social Security benefits for retirees who receive a government pension has been introduced into Congress. H.R. 147 and S. 619 would repeal the Government Pension Offset and the Windfall Elimination Provision. Both bills are pending consideration in the 109th Congress. 




Jan Cleveland



Molly Phalen

Trustee candidates elected by acclamation

Veteran TRS trustees **Jan Cleveland** and **Molly Phalen** will continue to serve until July 2009 as trustees selected by the membership. They were selected by acclamation when no other candidates filed nominating petitions. They will be joined by Bob Lyons, who was the only annuitant filing a petition for an elected annuitant trustee seat. His term of office will begin July 15, 2005. 

FAQs about the Early Retirement Option (ERO)

What conditions must be met in order to take advantage of the Early Retirement Option (ERO)?

Under the ERO all of the following conditions must apply:

- Your last paid day of teaching service must be on or before June 29, 2005.
- The effective date of your retirement must occur on or before June 30, 2005. "Retirement" means being eligible to receive a retirement annuity.
- You must apply and retire within six months of your last day of contributing service.
- To use the current ERO, your 55th birthday must be on or before June 30, 2005, **or** you must be entitled to receive at least 74.6 percent of final average salary and turn 55 between July 1 and December 31, 2005.
- If you are a substitute teacher, you must teach 85 or more days in a school term with one employer to elect the ERO and to obligate that employer to make the ERO contribution.

If ERO is not extended, does this have an impact on the two-year sick leave credit?

No. The ERO has no effect on sick leave service credit at retirement.



If ERO is not extended, do I have to work to age 60 to avoid the discount?


No, you can avoid the discount if you obtain 35 years of service between age 55 and 60. The discount is avoided by having **either** 35 years of service **or** by being age 60.

If ERO is not extended, what happens?

If you retire between the ages of 55 and 60 with at least 20 but fewer than 35 years of service, your retirement annuity will be reduced by 6 percent for each year (0.50 percent per month) that you are under age 60.

I am 55 and qualify for a full 75 percent pension after 34 years of teaching. Am I subject to the discount?

Yes. However, while ERO remains in effect in its present form, you can avoid the discount by electing ERO. Under the current law, all contributions are waived if you have 34 years of service.


If ERO is not extended, persons retiring after June 30, 2005, will be subject to the discount, unless you are age 60 or have 35 years of service credit. 

Bob Lyons joins the TRS Board of Trustees

Bob Lyons will join the TRS Board of Trustees July 15, 2005, as an elected annuitant trustee. Born in Oak Park, Lyons served in the U.S. Air Force Reserve from 1957-64. He graduated from Northern Illinois University (NIU) with a bachelor's degree in education/history concentration in 1962. In the course of his teaching career, Bob taught American and world history at Barrington Community High School for two years, returned to Northern, and in 1965 he received his master's degree in history from NIU. He taught social science survey and advanced placement European history for District 211 (Palatine/Schaumburg) for the rest of his educational career. Bob was the Social Science Department Chairman for Conant High School from 1969 until 1973 and for Hoffman Estates High School from 1969 until he retired in 1994. He has coached boys' cross country and girls' cross country and track.



Bob Lyons

In 1994, Bob was honored as the Hoffman Estates Citizen of the Year. Bob has also been on the Schaumburg Township District Library board since 1969. He received the 2002 and 2005 Library Trustee of the Year awards from the Illinois Library Association and the American Library Association, respectively. Currently, Bob serves on the legislative committee of the Illinois Retired Teacher Association (IRTA) and is an official spokesman to TRS for the IRTA. 



“Run for Door” may mean big retirement season

Early figures suggest that the expiration of the Early Retirement Option (ERO) will lead to substantially increased teacher retirements this year.

By mid-April, TRS had received about 5,500 retirement requests, or about 2,500 more than normal. TRS is actively preparing for further retirement requests.

“We often see a significant influx of applications in May as members finalize their career decisions,” said Terry Viar, director of member services.

Educators from across the state had speculated that the expiration of ERO would prompt a “run for the door” effect. Fearing loss of the ERO provision, experienced educators may decide to retire a few years earlier than expected to lock-in ERO benefits.

The influx was not unexpected; TRS began preparing for a large retirement season last fall.

Preparation has included:

- identifying staff in other TRS departments who have member service experience and training;
- limiting staff vacations; and
- planning for overtime and weekend processing.


TRS is also allowing employers to submit supplementary reports for summer retirees beginning on May 1, even though the last day of work may be later. This will speed the entire process by allowing for early review of service credit and salary data.

Despite significant preparation, officials caution that a sharp increase in retirements may delay initial benefit checks or increase telephone wait times.

“While TRS staff will do their best to answer all calls, members are encouraged to use the convenient voice mail service to avoid telephone delays,” Viar said. Voice messages




will be answered within one or two business days.

Members awaiting their initial retirement benefits will be updated via e-mail or U.S. mail whenever a significant process step has been completed. 

PDP summer reminders

May 15, 2005, is the last day that Payroll Deduction Program (PDP) agreements can be issued for the July 1 quarter. Many school districts prepare July and August payrolls at the end of school in May and June, so an early deadline is necessary.

Retirement and resignation are qualifying events that terminate a PDP agreement. Please notify your payroll officer so that PDP deductions are not taken from any checks issued after the effective date of your resignation or retirement.

If you will be working for another school district, you will need a new PDP agreement with that employer. 

Changing a retirement decision

The uncertainty surrounding the extension of the Early Retirement Option (ERO) may prompt members to reconsider a retirement decision.

TRS will begin retirement processing once a signed application has been received. If you wish to withdraw an application, immediately notify TRS in writing via e-mail, fax, U.S. mail, or express service.

Fax: (217) 753-0964


E-mail: members@trs.illinois.gov

Mail: TRS Member Services
2815 W. Washington St., P.O. Box 19253
Springfield, IL 62794-9253

Telephone requests cannot be accepted because withdrawing an application is a major transaction requiring written authorization.

Retirements become final when:

- the initial benefit check is cashed; or
- 10 days after the initial electronic funds benefit transfer transaction is processed.

Once a retirement is final, the annuitant is subject to all post-retirement employment and return to service restrictions. Detailed information on these provisions will be sent at the time the retirement is calculated. 

Abingdon man two years away from goal of teaching 60 years



Stanford Shover

Stanford (Stan) Shover has taught for 58 years and believes he is one of the last one-room school house teachers who is still teaching in Knox County. "My goal is to teach for two more years until I have 60 years in this wonderful career," he said. Stan will turn 78 this September.

As an 18-year-old in 1946, Stan began teaching at a one-

room schoolhouse called Slough Island School near London Mills, Illinois. He was hired on an emergency teaching certificate after WWII and continued his college education during the summer at Western Illinois University (WIU) when the school was not in session.

Stan earned his bachelor's degree in education at WIU in 1952 and his master's in public school administration in 1954. He also has earned the distinction of a professional work in psychology from the University of Iowa.

During his first year of teaching, he instructed 27 children in grades 1 through 8. The school had electricity, which was not standard at the time. Stan, who was also taught in a one-room school house, said, "I loved teaching in a one-room schoolhouse because I had freedom as an instructor to creatively use the resources I had." Often he would combine lessons for third and fourth graders or fifth and sixth graders. He added that the older kids also helped the younger children with their lessons.

Slough Island School closed after his second year of teaching and Stan began teaching 6th grade in London Mills.

At 22-years-old, Stan became a sixth grade teacher and the principal at Fairview Grade School in the Spoon River Valley School District. In a few years, he became the principal at age 24 of Hedding Elementary School in Abingdon with 700 children and 27 teachers.

"I didn't like being a principal," he recalled. To be in an office away from the classrooms and

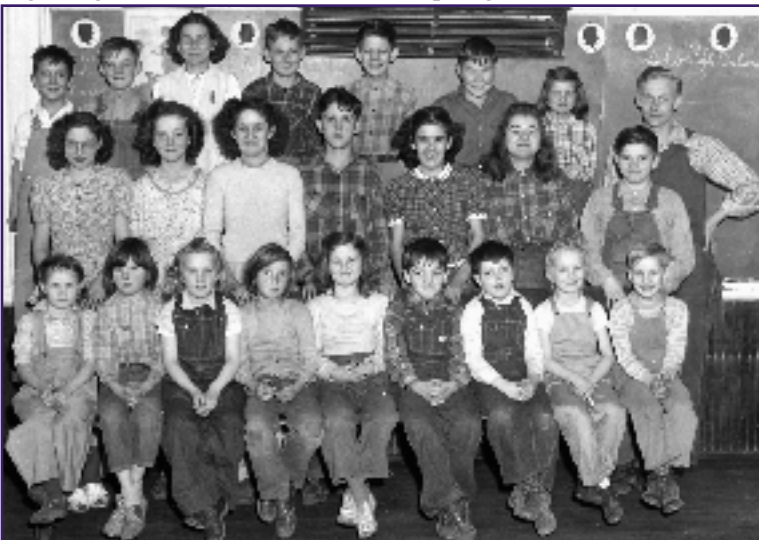
students was not the way he wanted to continue his career. After Hedding, he taught sixth grade, was a junior high guidance counselor, and taught high school English literature in Galesburg Community Unit School District #205 for 25 years.

He retired from teaching elementary and secondary levels in 1982 and has been a TRS annuitant for 23 years. During his "retirement," he has continued working part-time as a GED instructor for Carl Sandburg College in Galesburg on Tuesday, Wednesday and Thursdays. Stan said that he has remained a teacher because "My occupation is like a hobby and is more fun than work."


"Stan is one of our most popular teachers. He knows how to motivate students and has taught generations of students within the same families. Lives get turned around because of him," said Gwen Koehler, who is the adult education director for Carl Sandburg College and Stan's supervisor.

With all of the changes in education over Stan's career, he feels computers really have changed the classroom the most. Computers "have become a necessity" according to Stan and he uses them to instruct his GED students. Over the years, he has gone from having only 25 books in his one-room schoolhouse to wondering which Internet resources and books to use. "It's a good problem to have," he said.

With his positive attitude in the classroom, it is easy to see why he received the Illinois Adult and Continuing Education Association (IACEA) Voice of Adult Education in Illinois President's Award. Stan was presented with this award for his outstanding professional contribution to adult education at the IACEA conference that was held in Springfield on March 9 through 11.



Stan (top far right) and his students at Slough Island School in 1947

Although Gwen Koehler is Stan's supervisor, she feels privileged to work with Stan. Whatever the latest teaching trend is, she knows he's been through it all and can teach each student. She admirably said, "He is dedicated to the students and his colleagues. Teaching is his life." 



Our practices keep your TRS record confidential

Your privacy is important to us, and we take responsibility for maintaining the confidentiality of your personal information very seriously. Everything contained in your record is confidential.

However, we will provide information from your record to you, to others at your written request, to other retirement systems subject to the Illinois Retirement Systems Reciprocal Act, to the Illinois Department of Central Management Services for annuitant health insurance purposes, and to the Social Security Administration for government pension offset determination and windfall elimination purposes. Your information also may be given pursuant to a subpoena issued during court proceedings.


A member may ask his or her spouse to call us for information, but we are unable to provide any information




without prior approval from the member. If you wish to provide information about your TRS record to your spouse, please send written authorization to us. Upon receipt, we will make the proper notification on your record and release information according to your directions.

To further protect your records, we completed an extensive project earlier this year to


remove your Social Security number from most correspondence sent to you. Your Social Security number has also been removed from many of the forms you are required to complete for us. In this case, your Social Security number has been replaced with a file number, which can be recognized only by us.

We are proud of our privacy practices and will continue to assess our policies and procedures to ensure complete confidentiality of your information. 

Medicare Part D option offered for managed care plans


The federal outpatient prescription drug plan benefit (Medicare Part D) will be available January 1, 2006. Information will be mailed by the federal government to those enrolled in managed care plans through the Teachers' Retirement Insurance Program (TRIP) this spring. Affected individuals will be contacted by their health plan administrators prior to the Medicare Part D Open Enrollment Period which begins in November 2005. Please do not contact TRS about Medicare Part D. 

Active member THIS Fund contribution increases

Beginning with your 2005-2006 earnings, the member contribution to the Teachers' Health Insurance Security (THIS) Fund will increase from 0.75 percent to 0.80 percent. The employer contribution will be 0.60 percent of each teacher's salary. 



Benefit Choice Period allows for health insurance changes

The annual Benefit Choice Period for the Teachers' Retirement Insurance Program (TRIP) participants will be May 1-31, 2005. Benefit Choice is the time to make changes in TRIP coverage and to add yourself and eligible dependents if you have never previously been enrolled. Important information from the Illinois Department of Central Management Services (CMS) about this year's Benefit Choice Period was mailed to retirees at the end of April. This information includes an explanation of health insurance options for the coming year and changes in coverage benefits and premiums. 



Please be patient during this year's retirement process

We are preparing for one of our busiest retirement seasons ever. If the Early Retirement Option (ERO) is not extended by law, it may prompt a record retirement season with 6,000 to 8,000 members retiring at the end of the school year. We usually have around 4,000 retirements each year and have surpassed that already at printing time. Please know that we are working under abnormal circumstances and that we will do our best to serve all of you.

Be aware that due to the large number of retirees being added to the payroll this year, your first benefit payment may not occur as rapidly as it normally would.

Unfortunately, you may have to wait when you want to talk to us by phone because of high call volumes.




However, many of our frequently asked questions are answered 24 hours a day on our Web site. Please plan ahead and make an appointment with a counselor if you need to see us.

The winter issue of *Topics & Report* had an article that covered the retirement process from start to finish. It is currently available on our Web site, trs.illinois.gov. Other publications about the retirement process are also available on our Web site in the Member Services area. Once you are in the Member Services area, click on the Publications tab on the right. Then click on the Retirement Planning link. You'll find

helpful publications such as *What You Need to Know Before Retiring*, *Retirement Time Line Checklist*, and *Protecting your Benefits*. 

Plan for contribution limits if retiring in 2005

If you are retiring at the end of the 2004-05 school year, you may want to plan ahead to comply with federal tax law limits. Federal tax limitations apply to after-tax payments for ERO and 2.2 balances. The payments must be post-marked by July 31, 2005, if you are retiring this year and the payments may not exceed your annual compensation or \$42,000, whichever is less. These limitations do not apply to contributions made through a qualified rollover from another retirement plan such as a 403(b) savings plan or paid by your employer on your behalf. 

Schedule an appointment during this busy season

This spring and summer, many of you will come to our offices for information. Scheduling an appointment in advance is the best way to save you time and promptly meet your needs during your visit.


This retirement season could be double what it normally is due to the Early Retirement Option (ERO) possibly expiring on June 30.

While it may not be as convenient for you to visit our offices during the normal school year or after school hours, please consider it during this busy season.


To schedule an appointment, call us

at (800) 877-7896 between 7:30 a.m. to 4:30 p.m. on Monday, Wednesday and Friday and between 7:30 a.m. and 6 p.m. on Tuesday and Thursday.

An appointment with a counselor guarantees a date and time for your conference. It also gives the counselor time to review your record and prepare any information you have requested. We'll also send a letter to confirm your appointment date and send a map with directions to the TRS office.

Walk-in visitors may have to wait to see a counselor because we make every effort to see scheduled visitors, who may have had their appointments for months, at the appointed time. 

Next Board meeting

The next Board meeting will be held at the TRS Office, 2815 West Washington Street, Springfield, Illinois on **May 19-20, 2005**. 




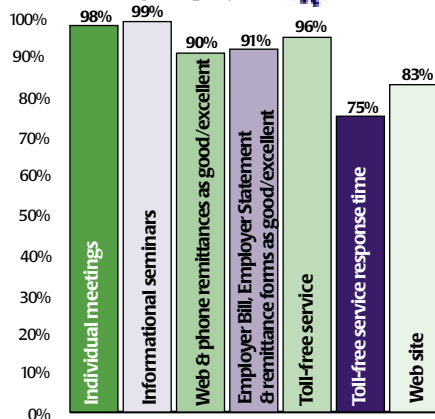


Employers give TRS high marks for service

TRS employers gave high marks to the services they receive from TRS. Most categories showed over 90 percent of the respondents answered with a “good” or “excellent” rating.

The chart below shows the percentage of major service activities that received “good” or “excellent.”

Todd Kennedy, TRS director of administration, said the survey will help guide service improvement activities, particularly in the area of telephone response times and parts of the Web site serving employers. 



Office Information

2815 West Washington, P.O. Box 19253
Springfield, IL 62794-9253

4200 Commerce Court, Suite 100
Lisle, IL 60532-3611

Phone

Toll Free: (800) 877-7896

Forms Order Line: (800) 207-6948

Web site

trs.illinois.gov

Address changes

To ensure that all information about your retirement benefit reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.

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Topics & Report

Published by the Teachers' Retirement System of the State of Illinois

Editor: Kathy Pearce — kpearce@trs.illinois.gov

Layout: Jael Bietsch